

WEST IOWA COMMUNITY MENTAL  
HEALTH CENTER

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

**MAHONEY & GOTTO COMPANY**  
*Certified Public Accountants*

**Denison, Iowa**

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West Iowa Community Mental Health Center

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Ulmer	President	2015
Sandy Johnson	Vice-President	2014
Annette Watkins	Secretary/Treasurer	2014
Robert J. Meyer	Member	2014
Mark Segebart	Member	2012
Randall Kuhlmann	Member	2015
John Sondag	Executive Director	2012
Amy K. Hull	Executive Director	Indefinite

West Iowa Community Mental Health Center

# **MAHONEY & GOTTO COMPANY**

## ***Certified Public Accountants***

**201 South 7<sup>th</sup> Street  
Denison, IA 51442**

**Phone 712-263-6189  
Fax 712-263-2184**

### Independent Auditors' Report

To the Board of Directors of  
West Iowa Community Mental Health Center

We have audited the accompanying Statement of Financial Position of West Iowa Community Mental Health Center (a nonprofit organization) as of June 30, 2013 and 2012, and the related Statements of Activities, Functional Expenses and Cash Flows for the years then ended and the related Notes to Financial Statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United State of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Iowa Community Mental Health Center at June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**MAHONEY & GOTTO COMPANY**  
Certified Public Accountants

October 30, 2013  
Denison, Iowa

West Iowa Community Mental Health Center

## Financial Statements



West Iowa Community Mental Health Center

Statements of Financial Position

June 30, 2013 and 2012

<b>Assets</b>		
	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 176,208	\$ 124,265
Accounts receivable, patient services, Less allowance for doubtful accounts of \$65,000 in 2013 and \$50,000 in 2012	134,272	66,134
Grants receivable (Note 2)	17,291	34,327
Prepaid expenses	11,302	10,988
Property and equipment at cost, less accumulated depreciation of \$220,110 and \$215,304 for June 30, 2013 and June 30, 2012 (Note 3)	<u>74,681</u>	<u>79,487</u>
<b>Total assets</b>	<b>\$ <u>413,754</u></b>	<b>\$ <u>315,201</u></b>

**Liabilities and Net Position**

Liabilities:		
Accounts payable	\$ <u>23,112</u>	\$ <u>13,438</u>
<b>Total liabilities</b>	<b><u>23,112</u></b>	<b><u>13,438</u></b>
Net assets:		
Unrestricted	<u>390,642</u>	<u>301,763</u>
<b>Total net assets</b>	<b><u>390,642</u></b>	<b><u>301,763</u></b>
<b>Total liabilities and net position</b>	<b>\$ <u>413,754</u></b>	<b>\$ <u>315,201</u></b>

See notes to financial statements.

West Iowa Community Mental Health Center

Statements of Activities

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS:		
Public support and revenues:		
Public support:		
Crawford County	\$ 150,000	\$ 150,000
CSP Block Grant	16,630	13,011
BI/ID Waiver	20,903	22,666
Habilitative & Elderly	45,735	33,756
Remedial Waiver	110,652	158,005
SCL Program	28,178	24,587
DeCAT Mentoring	6,580	10,462
School Based Therapist	61,922	58,600
Contributions	10,304	258
Kaskie Grant	<u>37,848</u>	<u>67,855</u>
Total public support	<u>488,752</u>	<u>539,200</u>
Revenues:		
Patient fees and Title XIX	344,481	352,419
Interest income	<u>141</u>	<u>153</u>
Total revenues	<u>344,622</u>	<u>352,572</u>
Total public support and revenues	<u>833,374</u>	<u>891,772</u>
Expenses:		
Program services:		
Mental health center programs	40,739	43,280
Support services	<u>703,756</u>	<u>827,635</u>
Total expenses	<u>744,495</u>	<u>870,915</u>
Changes in net unrestricted net assets	<u>88,879</u>	<u>20,857</u>
Total net changes in net assets	88,879	20,857
Net assets at beginning of year	<u>301,763</u>	<u>280,906</u>
Net assets at end of year	<u>\$ 390,642</u>	<u>\$ 301,763</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Statements of Cash Flows

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Changes in net assets	\$ 88,879	\$ 20,857
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,806	4,708
(Increase) decrease in:		
Receivables	( 68,138)	( 2,561)
Grant receivable	17,036	( 10,771)
Prepaid expenses	( 314)	( 2,230)
Increase (decrease) in:		
Accounts payable	<u>9,674</u>	<u>( 32,022)</u>
Total adjustments	<u>( 36,936)</u>	<u>( 42,876)</u>
Net cash provided (used) by operating activities	<u>51,943</u>	<u>( 22,019)</u>
Cash flows from investing activities:		
(Purchase) of equipment	<u>0</u>	<u>( 1,218)</u>
Net cash (used) by investing activities	<u>0</u>	<u>( 1,218)</u>
Cash flows from financing activities:		
None	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	51,943	( 23,237)
Cash and cash equivalents at beginning of year	<u>124,265</u>	<u>147,502</u>
Cash and cash equivalents at end of year	<u>\$ 176,208</u>	<u>\$ 124,265</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Notes to Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

A. Reporting Entity

West Iowa Community Mental Health Center is a non-profit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Crawford and its' surrounding Counties.

The Center is exempt from income tax under Section 501©(3) of the Internal Revenue Code and a similar section of the Iowa income tax law which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. There was no unrelated business income for the fiscal years ended in 2013 or 2012.

The Center's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

B. Fund Accounting

The accounts of the Center are organized on the basis of an unrestricted fund.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

E. Assets and Liabilities

The following accounting policies are followed in preparing the Statements of Financial Position:

Cash and Cash Equivalents – The Center considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The statements of cash flows are reported using the indirect method. There were no amounts paid for interest or taxes, nor were there any non-cash transactions to be disclosed.

Receivables – Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of individual patient balances.

Property and Equipment – Property and equipment is stated at cost and are capitalized if the cost exceeds \$500.00. Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 5 years. No interest costs were capitalized since there were no qualifying assets.

Compensated Absences – Center employees accumulate a limited amount of earned but unused sick pay benefits payable to employees. Amounts representing the cost of accumulated compensated absences are recorded as liabilities and are computed based on rates of pay in effect at June 30, 2013. This amount was determined to be immaterial for the fiscal years ended June 30, 2013 and June 30, 2012.

F. Patient Services Revenue

Patient services revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

G. Estimate

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. As of the date of issuance of the accompanying financial statements, no material changes to the estimates used therein were anticipated by management in the near term.

H. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

I. Advertising

The Center expenses advertising costs as incurred. Advertising costs were \$2,506 and \$1,379 for the years ended June 30, 2013 and 2012, respectively.

(2) Grants Receivable

Grants receivable are deemed to be fully collectible by management and are composed of the following amounts due at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
State Department of Human Services	\$ 15,584	\$ 21,426
University of Iowa	<u>1,707</u>	<u>12,901</u>
	\$ <u>17,291</u>	\$ <u>34,327</u>

(3) Property, Equipment and Depreciation

A summary of property and equipment follows:

	<u>2013</u>	<u>2012</u>
Furniture and Fixtures	\$ 178,385	\$ 178,385
Land and Buildings	95,659	95,659
Vehicles	<u>20,747</u>	<u>20,747</u>
Total Cost	294,791	294,791
Less: accumulated depreciation	( <u>220,110</u> )	( <u>215,304</u> )
Net Book Value	\$ <u>74,681</u>	\$ <u>79,487</u>

Depreciation expense for 2013 and 2012, respectively, was \$4,806 and \$4,708.

(4) Pension and Retirement Plan

The Center maintains a defined contribution retirement plan as authorized by the Center's by-laws which was administered by e-Plan Services, Inc. as a Money Purchase Plan. The plan is available to all employees who have worked a minimum of 1,000 hours in the fiscal year.

Under the terms of the plan, the Center contributes an amount equal to 5% of the annual salary for each employee participating in the plan. Amounts credited to individual participants are 50% vested the first year, 75% vested the second year and 100% vested the third year. The accumulated monies are paid upon a participant's retirement or termination.

For the years ended June 30, 2013 and 2012, the Center's required and actual contributions were \$13,283 and \$15,631 respectively, which is 5% of each year's covered payroll of \$265,660 and \$312,620 respectively. The Center's total fiscal year payroll for all employees was \$382,421 for June 30, 2013 and \$420,852 for June 30, 2012.

(5) Center Risk Management

West Iowa Community Mental Health Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

(6) Financial Instruments and Credit Risk

The Center grants credit in the form of accounts receivable for professional services. The accounts receivable are collectible from private pay individuals as well as third party payors including Medicare, Title XIX and various insurance companies. Also, the Center received eighteen and seventeen percent of its total public support and revenues for the years ended June 30, 2013 and 2012 from Crawford County.

(7) Subsequent Events

Management has evaluated subsequent events through October 30, 2013, the date on which the financial statements were available to be issued.



To the Board of Directors of  
West Iowa Community Mental Health Center

In planning and performing our audit of the financial statements of West Iowa Community Mental Health Center as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered West Iowa Community Mental Health Center's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in West Iowa Community Mental Health Center's internal control to be significant deficiencies:

Segregation of Duties – We realize that with staffing limitations, segregation of duties is difficult. The Center should review the operating procedures to obtain the maximum level of internal control possible. Supervisory review of financial transactions and reports is extremely important when incompatible responsibilities can not be segregated.

This communication is intended solely for the information and use of management, the board of directors, and others within the Center, and is not intended to be and should not be used by anyone other than those specified parties.

October 30, 2013  
Denison, Iowa

MAHONEY & GOTTO COMPANY  
Certified Public Accountants

November 8, 2013

Ms. Lynn Brown  
West Iowa Community Mental  
Health Center  
20 North 14<sup>th</sup> Street  
Denison, IA 51442

RE: Audited Financial Statements  
For June 30, 2013

Dear Lynn:

Enclosed are twelve bound copies of the audited financial statements for the fiscal years ended June 30, 2013 and 2012 as well as the news release and the information tax return Form 990.

Please disperse the four bound copies of the audited financial statements as follows:

- a) 2 copies of the report, the management representation letter, the news release and a copy of the bill to: Office of Auditor of State, Room 111 State Capitol Building, 1007 East Grand Avenue Des Moines, IA, 50319. We will provide the .pdf report to the Auditors of State after the Board approves the report.
- b) 1 copy of the report to: Iowa Department of Human Services Mental Health and Developmental Disabilities Division, Hoover State Office Building, 1305 East Walnut, Des Moines, IA, 50319.
- c) 1 copy for your permanent files.

The copy for the Division of Mental Health and Developmental Disabilities is requested because of the Grants received. Please feel free to call the office if you need additional bound copies.

Also enclosed are 2 copies of the news release. One copy is for your permanent files, the other copy goes to the Denison Newspapers, Inc. to be published after the Board has approved the report.

Ms. Lynn Brown  
West Iowa Community Mental  
Health Center  
Page 2

Form 990, the information tax return required to be filed, is also enclosed. Please sign the return and mail it in the enclosed envelope. An extra copy has been provided for your permanent files.

Please feel free to call the office if you have any additional questions. Thank you.

Sincerely,

MAHONEY & GOTTO COMPANY  
Certified Public Accountants

Elaine C. Gotto C.P.A.

ECG/lg  
Enclosures

## NEWS RELEASE

### FOR RELEASE

Mahoney & Gotto Company, Certified Public Accountants today released an audit report on West Iowa Community Mental Health Center, Denison, Iowa, for the fiscal year ended June 30, 2013.

Mahoney & Gotto Company reported that the Center had public support and revenues of \$833,374 for the fiscal year ended June 30, 2013. Public support included \$150,000 from Crawford County and revenue included \$344,481 of patient fees and Title XIX.

Expenses for the Center's operations totaled \$744,495 for the fiscal year ended June 30, 2013. Expenses included \$40,739 for mental health center programs and \$703,756 for support services.

A copy of the audit report is available for review in the West Iowa Community Mental Health Center office, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.htm>.

November 7, 2013

West Iowa Community Mental  
Health Center  
20 North 14<sup>th</sup> Street  
Denison, IA 51442

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Audit for the year ended June 30, 2013 with  
audited financial statements - 59 hours

\$ 4,720.00

Additional audit procedures for the Mental  
Health programs – 8 hours

680.00

Less: Write-down to bill

( 250.00 )

Net Audit Fees

5,150.00

Processing Charges

300.00

\$5,450.00

October 31, 2013

West Iowa Community Mental  
Health Center  
20 North 14<sup>th</sup> Street  
Denison, IA 51442

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Community Mental Health Center (CMHC)  
Financial and Statistical Report for the fiscal  
Year ended June 30, 2013

Financial and Statistical Report for Purchase of  
Service Contracts for the fiscal year ended  
June 30, 2013

Financial and Statistical Report for Habilitation  
Services for the fiscal year ended June 30, 2013

\$1,875.00

October 31, 2013

West Iowa Community Mental  
Health Center  
20 North 14<sup>th</sup> Street  
Denison, IA 51442

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Preparation of Form 990-T, Exempt Organization Business Income Tax Return for the fiscal year ended June 30, 2013	\$ 250.00
Calculation of Small Employer Health Tax Credit and Form 8941 for the fiscal year ended June 30, 2013	<u>300.00</u>
Total	\$ <u>550.00</u>

November 7, 2013

West Iowa Community Mental  
Health Center  
20 North 14<sup>th</sup> Street  
Denison, IA 51442

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Preparation of Form 990, Federal Income Tax Return  
for the fiscal year ended June 30, 2013

\$ 500.00